DECLASSIFIED Pet 17-2 It-Libya
xr Pet 14 Libya (R)

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ACTION AF-18

INFO OCT-01 EUR-20 NEA-10 CIAE-00 DODE-00 PM-08 H-02
INR-06 L-03 NSAE-00 NSC-10 P-03 RSC-01 PRS-01 SS-14
USIA-12 E-11 COM-08 COME-00 TRSE-00 INT-08 OEP-01
OMB-01 RSR-01 OPIC-12 /151 W

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DEPARTMENT OF STATE A/CDC/DR
REVIEWED BY cf DATE 3/4/82

P R 060925Z OCT 72
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC PRIORITY 9277
INFO AMEMBASSY BEIRUT
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY ROME

C O N F I D E N T I A L TRIPOLI 1594

C O R R E C T E D C O P Y (AMEMBASSY JIDDA ADDED AS INFO ADDRESSEE PER TRIPOLI)

SUBJ: NATIONAL OIL COMPANY (NOC) AND AGIP JOINT VENTURE AGREEMENT

Pet 17-2 It-Libya

REF: A) TRIPOLI 1578; ROME 5789

xr Pet 14 Libya

1. NEITHER WE NOR PETROLEUM SOURCES WHERE HAVE YET SEEN COPY OF AGIP/NOC'S JOINT VENTURE AGREEMENT DESCRIBED TRIPOLI REFTEL. THIS PRECLUDES OUR FULL ASSESSMENT OF ITS IMPLICATIONS. FOLLOWING REPRESENTS ADDITIONAL COMMENTS TO AMPLIFY INFORMATION CONTAINED REFTELS: (A) OIL SOURCES HERE CONTINUE TO EMPHASIZE THAT ONE OF IMPORTANT ASPECTS OF AGREEMENT IS ITALIAN ABILITY TO BRING ON STREAM RICH ACREAGE UNDER REASONABLY ATTRACTIVE TERMS AT A TIME WHEN LARG IS, IF NOT BELLICOSE, EXTREMELY DIFFICULT BARGAINING PARTNER; (B) WESTERN OIL SOURCES HERE AGREE WITH ASSESSMENT IN PARA 4, ROME REFTEL, RE COMPENSATION, I.E., THAT COMPENSATION ON ORIGINAL INVESTMENT VALUE REPRESENTS

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GOOD TERMS. COMPANIES HERE POINT OUT, HOWEVER, THAT ANY SPACING OUT OF PAYMENTS WILL MAKE FORMULA LESS ATTRACTIVE; (C) RE ACREAGE AFFECTED, OUR SOURCES HERE CONTINUE TO MAINTAIN THAT CONCESSION 101 WAS SUBJECT OF EARLIER ACCORD AND TECHNICALLY NOT AFFECTED BY CURRENT AGREEMENT AT LEAST NOT FOR COMBINING EXPENSE WRITEOFFS. IN THIS REGARD EXTIMATES ARE THAT ITALIANS WERE HAPPY TO BE ABLE TO COMBINE CONCESSION 82 BECAUSE AGIP WILL ENJOY $40 MILLION WRITEOFF FOR EXPLORATORY AND OTHER EXPENSES IN THIS ACREAGE; (D) THERE ARE PROBABLY UNRESOLVED PROBLEMS NOT COVERED IN AGREEMENT, MOST NETTLESOME OF WHICH WILL BE GAS UTILIZATION AND RESERVOIR PRESSURE MAINTENANCE; (E) HALF-WAY PRICE FORMULA FOR AGIP MARKETING OF NOC SHARE OF CRUDE VIEWED AS BITTER PILL FOR ITALIANS BUT ONE POSSIBLY SWEETNED BY SALE-COMMISSION TERMS OR EXISTENCE OF OTHER NON-PETROLEUM CONCESSIONS LARG MAY HAVE MADE.

2. LARG ITSELF HAS NOT MISSED OPPORTUNITY TO GAIN FULL LOCAL AND INTERNATIONAL BENEFIT FROM AGREEMENT. TRIPOLI DAILY AL-BALAGH, IN OCTOBER 5 EDITORIAL COMMENT, QUOTED MUNTASSIR, PETROLEUM MINISTRY UNDER-SECRETARY, AS STATING THE JOINT VENTURE CONTRACT WITH AGIP "CONSTITUTES THE BEGINNING OF THE END OF THE TRADITIONAL OIL CONCESSION ACCORDS." CONTINUING, MUNTASSIR NOTED LARG ROLE WILL BE TRANSFORMED FROM TAX COLLECTOR AND OPERATIONS SUPERVISOR TO PARTNER SHARING IN DECISIONS, OPERATIONS AND GAINS. IN ADDITION, CRUDE WILL BE MADE AVAILABLE FOR LOCAL DISPOSITION AT COST, OR FOR EXPORT. LASTLY, ACCORD SEEN AS PROVIDING FOR COMPLETE SYSTEM OF EXPLORATION ACTIVITIES AND GIVING OPPORTUNITY TO NATIONAL CADRE GAIN EXPERIENCE IN THE INDUSTRY.

COMMENT: GENERAL CONSENSUS HERE IS THAT ON SURFACE AT LEAST ITALIANS MADE FAIRLY ACCEPTABLE DEAL, BUT NOT NEARLY AS FAVORABLE AS THEY HAD ANTICIPATED A YEAR AGO. U.S. OIL COMPANIES ARE ALREADY PREPARING THEIR BRIEFS TO PROVE TO LARG THAT AGIP/NOC AGREEMENT SHOULD NOT FORM BASIS OF FUTURE PARTICIPATION ARRANGEMENTS HERE RE CONCESSIONS ALREADY PRODUCING. STATE 182567 (NOTAL) JUST RECEIVED BUT WE UNABLE TO CONFIRM INFO LAST PARA AT THIS TIME.
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